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The Russian Economic Situation

THE active participation of Soviet Russia in the International Economic Conference at Geneva is arousing new interest in Russia's internal economic situation and her relations with the outside world. Since 1923 the Soviet Government has not been represented at any important international conference with the western powers and has consistently refused to take part in meetings under the auspices of the League of Nations.

Russia's sudden decision to send a delegation to Geneva has raised the question of whether she is about to abandon her policy of isolation and develop closer financial and commercial intercourse with the outside world. At the opening sessions of the Economic Conference the Soviet delegation made a bid for foreign capital and urged recognition of the co-existence of capitalist and communist systems. It did not, however, advance any definite proposal for an immediate business settlement of outstanding differences between Russia and the outside world. But the possibility of an agreement has raised other important questions: How far has Russia succeeded in re-

habilitating her economic structure without the aid of foreign capital? What are the country's most pressing needs at the present time? What is Russia's attitude toward foreign capital and what is she prepared to offer in exchange for foreign aid in financing her future industrial development?

It is the purpose of this report to review briefly the progress of industrial and economic developments in Russia since 1923 with special reference to the financial machinery by which rehabilitation has been accomplished and its effect upon Russia's national economy and foreign relations. The points covered in this report may be summarized briefly as follows:

1. An examination of Russia's economic conditions is also a study of the health and vigor of the Soviet Government, since in taking over the control and management of industry as well as trade, the government has definitely identified itself as the guiding economic force, responsible for the success or failure of the economic system.

2. It is now evident that Russia is no longer in the state of economic collapse

of 1918-22. Production both in agriculture and industry has greatly increased over preceding years and is now reported to be reaching the pre-war level for the same territorial area. Furthermore, the government has initiated an extensive program of hydro-electric development, railroad construction and industrial reequipment. Foreign trade has steadily increased in volume during the past three years, and now approximates one-half of its pre-war value. The new unit of currency, the chervonetz, has been maintained at or near par and the Soviet Government, as far as has been ascertained, has honored the financial engagements of its foreign trade agencies.

3. The process of rehabilitation has been accomplished almost entirely with Russia's own financial resources, but while the investments in industry have steadily increased each year, the rate of increase of production resulting from these investments has steadily fallen.

The chief internal sources of capital in order of importance have been: taxation, industrial earnings, an export trade balance and private savings. The part of taxation in financing industry continues to grow in proportion to the total budgetary appropriation for industrial construction.

4. Closely related to Russia's financial isolation is the maintenance by the government of a monopoly of foreign trade, and the erection of a high tariff barrier against all imports. The effect of these measures has been to severely limit imports and to stimulate home industries in an unnatural manner, raising the prices on manufactured articles in the internal market far above the world prices and severely limiting the consuming power of the peasants. It has, however, enabled the government to maintain the value of the chervonetz and to rehabilitate production without incurring foreign debts.

The government's policy of subsidizing industrial rehabilitation has determined the character of Russia's foreign trade. The greater part of her purchasing power in foreign markets, acquired by the export of raw materials and the negotiation of trad-

ing credits, finances the import of the necessary raw materials and machinery for her industries to the exclusion of consumers' goods.

5. The rehabilitation of production under these conditions has not solved the problem of Russia's poverty of liquid capital. While the combined resources of the country may be said to be bent to the task of rendering Russia independent of foreign manufactured goods by the creation of the necessary instruments of production within the borders of the Soviet Union, the problem of the discrepancy in prices between manufactured and agricultural commodities is becoming more acute.

6. The financial resources of Russia, while reflecting the improved conditions of industry and trade, are being strained to the maximum to cope with ever-growing requirements. In this respect the financial isolation of Russia and her loss of credit-standings, due to the non-recognition of pre-revolutionary debts, is the gravest problem confronting the government. The fear is frequently expressed by Soviet officials that a complete acknowledgment of all obligations would make the country subject to "colonial exploitation" by foreign capital. The granting of credit to other than government institutions, however, is prevented by the incomplete definition and protection of the rights of private property.

With the purpose of attracting foreign capital under government auspices, the basis of a new concession policy was laid down by M. Joffe, of the Concession Council, on January 15, 1927.

M. Ossinsky, head of the Russian delegation at Geneva, in the course of his address on May 7, indicated his desire to see the collaboration between Soviet Russia and the capitalist world work out through the operation of concessions in Russia under the new plan.

He proposed:

"The cessation of all forms of political and economic boycott against Soviet Russia and the establishment of relations based upon the recognition of the inevitable co-existence of the two different systems: the Soviet to receive credits

to increase her purchasing power in exchange for concessions; the establishment of technical collaboration; the renouncement of all attempts against the indissoluble institutions of the Socialist system, particularly against the monopoly of foreign commerce."

The proposal, however, does not take into account the larger political and economic issues which have hitherto precluded the active cooperation between Russia and the outside world.

The above points are treated in greater detail below.

STATE CAPITALISM IN RUSSIA

Following the Bolshevik revolution of 1917 an effort was made to introduce communism into the economic life of Russia. Property was nationalized, foreign obligations of former Russian governments were repudiated, private trading was suppressed and an attempt was made to enforce a general exchange of the produce of labor without the use of currency. This period of communist experimentation ended in 1921 with the promulgation of the New Economic Policy.

The fundamental change introduced by the New Economic Policy was the return of property rights to the peasants who were to retain the ownership of their produce and the right to dispose of it for money. The government resorted to taxation instead of the system of requisition prevalent under "military communism," and a certain restricted freedom was granted to individual enterprise in trade and industry, the greater part of which remained, however, in the hands of the State.

In the years following the promulgation of the New Economic Policy almost all the institutions of private capitalism made their reappearance, but under strictly governmental control. Banks, industrial trusts and trading syndicates have been organized under state management. Foreign trade is a monopoly of the State and the share of private interests in the internal trade was restricted to a minimum. Following the complete depreciation of currency the new monetary unit, the chervonetz, was introduced. The industrial mechanism taken over by the Soviet Gov-

ernment, free of debts, since all private claims to such property were repudiated, is now operated along capitalistic lines, paying wages, buying materials, recording profits and losses, and striving for lower costs and mass production.

The supreme control of industry is vested in the State which is operated according to a pre-determined plan. The highest body of control is the Council of Labor and Defense (S. T. O.), and subordinated to it is the Supreme Council of National Economy. The productive enterprises are grouped into syndicates and trusts subordinated to the two councils. They have the authority to stimulate or suppress any industry, to raise or lower prices, and to increase or decrease production. The government is directly responsible for the success of the economic system and consequently the ordinary economic problems of prices, wages, volume of production and distribution of goods produced have become political issues of dominating importance.

ECONOMIC REHABILITATION

The considerable increase in production along all lines of industry and in agriculture over preceding years is illustrated by recent Soviet statistics.*

According to the data presented by M. Rykoff, Premier of the Council of Commissars, to the Soviet Congress in April, 1927, agriculture has achieved 97.2 per cent of 1913 production for the present area of Russia, and industry has exceeded 1913 production by 6.6 per cent. The following tables give an analysis of the growth of production in the separate industries.

Industry	Percentage of Production of 1913**		
	1924-25	1925-26	1926-27†
Coal	55.3	86.8	116.3
Oil	76.4	90.2	102.8
Petroleum ...	70.5	86.4	94.6
Iron Ore	23.8	38.1	54.5
Pig-Iron	31.0	55.5	69.7
Steel	43.8	69.3	77.5
Rolled goods .	38.0	60.1	67.1
Cotton cloth .	66.5	89.1	95.3
Salt	57.2	73.8	81.7
Matches	85.8	106.6	110.9

*The data contained in this report is based almost entirely upon Soviet official statistics, the only available source of information. Although plentiful, the figures given out by the Soviet authorities are not always in agreement, and no responsibility for their accuracy can be assumed by the Research Department.

**The Economist, (London), Mar. 19, 1927. Russian Supplement.

†Planned.

The total productive value of State owned, cooperative, private and handicraft

industries in Russia since 1924 have been given as follows:

Analysis of Production.* (Millions of rubles)					
	State Owned	Cooperative	Private	Handicraft and Petty Industries	Total
1924-25	6,087	374	275	1,719	8,455
1925-26	8,926	630	449	1,975	11,980
1926-27 (plan)	10,234	695	509	2,173	13,611

The period of rehabilitation, 1924-27, has been characterized by the expenditure of large sums by the Soviet Government upon industry. The amounts thus expended may be tabulated as follows:**

	Total appropriation for industry Rubles	% of increase in industrial production over preceding year
1924-25	385,000,000	60%
1925-26	780,000,000	40%
1926-27	946,978,000	20%

The distribution of funds appropriated for industrial rehabilitation shows that, in 1925-26, 88 per cent of the total government appropriation went into re-equipment or repair of existing factories and less than 12 per cent on new construction work. During the current fiscal year, 625,000,000 rubles have been appropriated for the re-equipment, repair and extension of existing plants, and 147,400,000 rubles for new construction work.***

FOREIGN TRADE SHOWS STEADY INCREASE

A large increase in Russian exports has been observed between 1923 and 1927. The foreign trade of Soviet Russia today totals a little under one-half of the value of Russia's pre-war trade. The following are the figures for the total imports and exports:†

1913	\$1,490,495,000
1922-23	199,300,000
1923-24	484,810,000
1924-25	666,925,000
1925-26	733,130,400
1926-27 (six months)	354,062,500

*Institute of Commercial Research. *Russia: Report*, 1926.

**Quibisheff report, March 29, 1927.

***Soviet Union Review, January, 1927.

†Commercial Handbook of the U. S. S. R. for 1927.

Exports to and imports from the United States, according to Soviet customs statistics, follow:*

	Imports from U. S.	Exports to U. S.
1913	\$40,730,000	\$7,290,000
1923-24 .	49,955,000	4,377,500
1924-25 .	103,618,000	14,471,500
1925-26 .	62,881,500	15,759,000

(The Soviet fiscal year runs from Oct. 1 to Sept. 30.)

Agriculture still remains the most important enterprise in Russia. It was estimated recently by M. Rykoff that over 88 per cent of the working population is occupied on the land and that the value of agricultural products raised is greater than the total value of industrial production. The value of the produce is estimated by M. Kalinin at almost six billion dollars, or 83.8 per cent of the value of pre-war production.** The quantity of live stock is also reported to be increasing, and almost equals the 1916 figures. In the course of four years the Soviet Government has exported 236,000,000 bushels of surplus grain,† and it was declared by M. Saul G. Bron, Chairman of the Amtorg Trading Corporation, at the World Wheat Pool Conference at Kansas City, May 5, 1927, that Russia would export 100,000,000 bushels of wheat in the course of the next two years.

SOURCES OF RUSSIAN CAPITAL

While most European states in the post-war period obtained credits abroad to rehabilitate their economic systems, the Soviet Government has had to depend, up to the present time, almost entirely upon its own resources to stabilize the currency, rehabilitate industry and finance imports.

*Idem. Russia's trade through German ports is not included in the 1913 figures.

**Soviet Union Review, May, 1927.

†Idem, October, 1926.

Russia's credit standing was destroyed by the Soviet Government's refusal to recognize Russia's pre-revolutionary foreign debts and its unwillingness to return the property of foreigners nationalized by the government. Foreign money markets have been closed to any form of Russian financing other than the granting of trading credits.

Soviet officials, however, have recognized the importance of Russia's need for capital. "The fate of the October revolution," declared M. Rykoff, Premier of the Council of Commissars, in his address before the Communist Party Congress, October 30, 1926, "and the practical realization of socialism are bound up with the question of whether we will find the necessary means to rebuild the whole of our economic structure on the basis of extensive industries. For this reason, the question of the sources of capital surplus—that is, where and in what quantity means may be obtained—is of determining character for the whole of our party policy during the coming period."

INTERNAL SOURCES OF CAPITAL

During the past few years the chief supply of capital for the reconstruction of industry has been obtained in Russia. The available sources of capital in Russia include both private and public savings. The part played by private savings in financing government controlled industries has been relatively small and the Soviet Government has heretofore been largely dependent upon State revenue from industrial and general taxation.

PRIVATE SAVINGS AND LOANS

Since the recognition of certain property rights in Russia by the New Economic Policy, efforts have been made by the government to attract the savings of the population to the savings banks and into government loans.

The stabilization of the currency gave a new impetus to savings and the funds in the government savings banks increased

from 11,200,000 rubles, in 1923-24, to 125,059,100 rubles, in 1925-26.

The Soviet Government has also floated a number of internal loans. Some of the early loans were of a forced character and represented a form of levy. During the past years efforts have been made, however, to attract the voluntary savings of the population by offering high rates of interest and lottery features on short-term loans.

The 1924-25 loan cost the State 30 per cent a year; the Second Peasant Loan of 1925-26 cost 17 per cent a year; and the most recent 8-year, 100,000,000 ruble, 10 per cent loan yields 14 per cent per annum. The total value of the loans outstanding on December 1, 1926, was officially given as \$362,300,000. During the current year it is planned to raise 210,000,000 rubles by loans, but the government will realize only approximately 110,000,000 rubles of this amount since the service on the national debt, amounting to more than 99,000,000 rubles, will have to be deducted from the amount raised by loans.

The loans have been subscribed largely by the government banks, syndicates and trusts. It is estimated that only 32 per cent of the outstanding government obligations are held by private individuals and private organizations. Up to the present time the peasant has been saving in "natural form," that is to say, in the form of goods, and has refused to invest his surplus either in savings banks or the government loans. An editorial in the *Izvestia* of March 29, 1927, states the situation as follows:

"Following the practice learned under military communism, (prior to the New Economic Policy) savings in the villages are being made in the form of goods. This primitive form of saving is irrational and unprofitable both to the peasant and to the State. The steadily increasing savings of the population are regarded as the greatest source of capital in Russia today. The fundamental basis of the national credit of the U. S. S. R. at present is to be found in the savings of the working classes. They finance, without counting the funds coming through the savings banks, 31.8 per cent of our national debt . . . With the growth of earnings and with the habit of saving, this section of the savings will assume a more important part in the distribution of our national credit."

STATE FUNDS SUBSIDIZE INDUSTRY

The main source of capital for industrial rehabilitation has been the Union Budget, which distributes the revenue from taxation, state industry, trade, banks and natural resources, in the form of loans and subsidies to state departments and productive enterprises. While the revenue from posts, telegraphs and transport is a large

item in the budget, it is offset by an even larger expenditure.

The itemized budget for the current year shows the inadequacy of the returns from state controlled industry, trade and banking to finance the necessary expenditures of industry. The balance of the amount expended upon industry, totaling over 300,000,000 rubles in the current year, is derived largely from taxation. The budget of 1926-27 follows:

BUDGET 1926-27

Revenue	Millions of Rubles	Expenditure	Millions of Rubles
Taxation (including customs and excise)	2,333	Economic Development (Industrial Subsidy)	901
State industry, trade banks and natural resources	554	State Departments	697
State Loans	220	Defense	693
Posts and Telegraphs	162	Aid to Local Government	442
Transport	1,631	Debt Service	99
Other	102	Posts and Telegraphs	159
		Transport	1,695
		Other	216
		Reserve	100
	5,002		5,002

M. Rykoff, on October 30, 1926, estimated the net grants of the State to industry over and above state income from industry at 63,300,000 rubles in 1924-25; 294,700,000 rubles in 1925-26; and 375,000,000 rubles during the current fiscal year.

FOREIGN CREDITS

Overtures to foreign credit have been made from time to time by the Soviet Government with only limited success. While the radical wing of the Communist Party, and in particular M. Bucharin, are opposed to the exploitation of Russia's markets and resources by foreign capital, more moderate elements favor the resumption of closer relations with foreign capital.

Following the more liberal policy, M. Ossinsky, head of the Russian delegation at the Geneva Economic Conference, in his address of May 7, urged that foreign credits be granted to Russia in return for concessions.

The supply of foreign credit, with the exception of a special trading credit guaranteed by the German Government, has

been extremely limited. The German Government in July, 1926, guaranteed a credit of 300,000,000 marks to enable German manufacturers to accept long-term obligations of Russian trading agencies. The national and local governments guarantee up to 60 per cent of the payment on the orders, the risk of the remaining 40 per cent falling on the firms and banks involved in the transaction.

The British Government has consistently refused to authorize the use of public money for the purpose of giving credit to Russia under the Trading Facilities Act. The Norwegian Government has, however, followed the example of the German Government in guaranteeing a limited amount of credit on orders placed with Norwegian firms.

Private insurance of Russian credits runs in London at varying rates in the neighborhood of 20 per cent per annum on 50 to 75 per cent of the amount due, the trader carrying the rest of the risk.* The total amount of such credit is narrowly restricted.

**Journal of Commerce. Russian Supplement. Aug. 25, 1926. p. 39.*

The Soviet Government, according to M. Saul G. Bron, Chairman of the Amtorg Trading Corporation in the United States, is seeking credits in the United States. During the past year, he declared, the total amount of credits extended by American interests to the Amtorg was \$15,000,000. At no time, however, was the outstanding credit in excess of \$5,000,000.

SOVIET ECONOMIC POLICY

The dominating objective of the Soviet Government in the field of national economy has been to render Russia independent of foreign industry and to supply all the domestic requirements by internal production. The economic implication of this policy was pointed out in a recent article by M. Achnitch in the *Vestnik Finansov*:

"The chief difference between the U. S. S. R. and capitalist states," he writes, "is that we develop certain branches of industry with respect to their importance in our system of national economy and not from the viewpoint of profit. We are developing that branch of industry at present which is productive of instruments of production—the heavy industries—which give, however, the smallest returns under present conditions."

Such a condition is made possible only through the government monopoly of foreign trade. M. Bucharin, President of the Third International, who represents the more radical wing of the Communist Party, on January 13, 1927, explained the value to Russia of the foreign trade monopoly as follows:

"The whole of our subtle policy consists in utilizing our dependence upon the capitalist world to strengthen our independence. We will maintain economic ties with the capitalist world, but at the same time we will buttress our own independence. In discussing the burning question of our relationship to world economics we cannot fail to recognize the immense importance of our monopoly of foreign trade. . . This instrument is more effective than tariff barriers. Thanks to it we are enabled to import or not to import; to purchase goods more economically; and to manoeuvre like a single fist. Never has a capitalist state possessed such a weapon of economic competition and defense as the monopoly of foreign trade."

The rehabilitation of industry under conditions of economic isolation and the in-

efficiency of "bureaucratism" has been accompanied by a rise in prices of all manufactured articles far above the price level in the open markets outside of Russia. The internal price of grain, on the other hand, is comparatively low, since it is the chief item of export by the Soviet Government, and unlike Russian manufactured goods must compete in the world markets. The two divergent price levels have been aptly named the "scissors," and one of the chief problems confronting the government is "closing the scissors," that is, the lowering of prices on manufactured goods.

PRICE LEVELS PRESENT SERIOUS PROBLEM

In a speech delivered March 29, 1927, M. Stalin advocated taking immediate measures to secure the lowering of prices on manufactured goods for four main reasons. These were:

1. "To prevent industry, which heretofore has been protected by the uncommonly high prices, from undergoing a hothouse growth without reference to economic reality.
2. "The need of widening the internal market, which can only be accomplished by lowering the prices.
3. "The need of raising wages, which would only be possible through the stabilization of prices in general and a lowering of prices on manufactured articles.
4. "Because, without the lowering of prices on manufactured articles, we will not be able to maintain that cooperation between the proletariat and the peasantry and between industry and agriculture which lies at the basis of the dictatorship of the proletariat in our country. You know that the peasant overpays for his manufactured goods, machines, etc. You know that this condition brings out serious discontent among the peasants and hampers the growth of our agriculture. What are the conclusions of this? They are that we must carry out the policy of systematically lowering the prices on manufactured goods if we wish to retain the cooperation between the working classes and the peasantry and to develop agriculture. We have the following situation—we cannot enlarge our industry further without lowering the cost of industrial production, and we cannot lower the cost of industrial production without reorganizing our industrial technique and simplifying our economic management. From this it may be seen that the "rationalization" of production and management are the leading questions of the day."

The political and economic importance of the problem of the "scissors," which is the basic problem of the relationship between agricultural and industrial production, has been recognized by the responsible authorities in Russia. M. Kalinin, Chairman of the Central Executive Committee, declared on March 30, 1927, that "the supply of manufactured goods remains imperfect. The most important problem of the moment is the increase of production and the cheapening of goods. We must first of all lower retail prices. . . If there is a question of direct aid to the peasantry on the part of the Soviet Government, it is through the lowering of prices. In the current year, before the first of June, it has been decided that prices of manufactured goods shall be lowered by an average of 10 per cent."

PROPOSALS FOR LOWERING PRICES

Various suggestions for the solution of the problem of prices have been advanced by Soviet officials. M. Stalin advocates the reorganization of industrial management and further extensive investments in machinery with the purpose of increasing industrial efficiency. M. Rykoff, on the other hand, stresses the need for the decentralization of the existing system of industrial management and responsibility. "To be responsible for everything means to be responsible for nothing," he declared on April 12. "Real responsibility for management can only be obtained when it is narrowly restricted."

The measures adopted by the Council of National Economy on March 30, 1927, point toward a certain decentralization of industrial management and the granting of greater freedom to the initiative of those responsible for the individual factories, mines, etc. It was resolved to permit these separate units within the large state trusts:

- 1) to accept and fill orders for goods independently of the central office of the trust;
- 2) to open bank accounts and to borrow within prescribed limits;

3) to discount notes received from clients; and

4) to retain a part of the profits of the unit and only turn over a certain determined proportion to the parent trust.

All other questions of management still remain with the authorities of the trust.

RUSSIA'S INCREASING NEED FOR CAPITAL

While reconstruction in the past was accomplished chiefly by utilizing the old industrial equipment, the present problem is to finance the upkeep of existing industrial equipment and to create new productive units. This process will demand even greater capital investments than the earlier process of rehabilitation. One of the outcomes of Russia's need for capital has been the recently executed modification of the government's concession policy. The hope is expressed that this new method of allocating concessions to foreigners will attract larger foreign investments in Russia and even secure credits abroad in favor of the Soviet Government.

The rapidly increasing requirements for liquid funds by the industrial organism and the decline in the rate of increase of industrial production have been shown in a preceding table. Recent statements on the subject by Soviet authorities throw considerable light upon the reasons for this phenomenon. M. Rykoff, on October 30, 1926, declared:

"Up to the present, surplus resources have been devoted to supplying operating capital for industry, but now these surplus resources must go toward the increase of basic capital, that is, toward the construction of new factories and toward the creation of a higher level in the technique of our industry. The creation of this kind of capital is a larger and more difficult problem than we have had to decide before. It requires greater resources and a longer period of time to obtain results. The billion ruble surplus which we are proposing to expend this year as basic capital will only give results after several years. During this period, while factories are being built, equipped and organized, we will be expending great sums and immobilizing them until the factories start work. . .

"Industry has not yet recovered its normal amortization, as a result of which the industrial

equipment wore down and we had to apply resources from other departments of the national economic system to support industry. . . It is now universally recognized that the economic structure of the nation is undergoing a critical period of reconstruction towards a new stage characterized by the intensive development of industry. . . It is supposed that the Communist Party has been existing on the resources amassed by the bourgeoisie and that now we are passing into a period of accumulation and this is precisely the difference between the two stages (the stage prior to 1926 and that to follow 1926) of our economic development."

SUPPLY OF RESERVE CAPITAL LIMITED

M. Quibisheff, Chairman of the Economic Council, in a report on March 29, 1927, declared: "In all the preceding years and partially in 1925-26, the development of industry was carried through the utilization of existing reserve capital which is at present almost entirely used up."

The demands upon the limited amount of available capital for repairs and re-equipment are in excess of private accumulation and the income from industry. This calls for investments in industry derived chiefly from taxation—a source of supply which is strictly limited and has the added disadvantage of reducing the purchasing power of the population. This condition precludes the possibility of any very extensive programs of construction being financed by the Soviet Government without obtaining additional resources of liquid capital.

M. Quibisheff, on December 17, 1926, made the following statement:

"The chief difficulty of almost all the branches of industry at present is in the lack of operating capital. It is insufficient to take care of the increased program of production. During the current year the operating capital in the hands of industry not only will fail to be increased, but will decrease. . . This shortage of operating capital will become more acute in view of the large capital investments contemplated."

The further improvement of industrial and trade apparatus will require not only the correction of internal deficiencies of management, but also the expenditure of large sums on re-equipment. The need for capital in view of the greater require-

ments of the economic system is now more acute than it was at the beginning of the process of rehabilitation.

Russia's proposal at the Geneva Economic Conference that she be granted credits in exchange for concessions indicates the compensation offered by the Soviet Government to attract foreign capital.

NEW CONCESSIONS POLICY SUGGESTED

The concessions policy heretofore pursued has not attracted large foreign investments. During 1925-26 the existing concessions paid about five million dollars to the Soviet Treasury as pro rata payments on profits and an additional \$7,500,000 was realized from taxes, duties, etc. The total number of concessions on October 1, 1926 was 144, of which 15 were held by American citizens or corporations.*

On the other hand, the Soviet Government, according to M. Joffe of the Concessions Council, in 1925-26 extended credits to concessionaires to the total sum of 24,500,000 rubles (approximately \$13,000,000.)

Reports of the disappointing character of several foreign concessions in Russia, and the complaints of the German *Mono-goles* timber concessionaires, who declared that the profitable conduct of concessions in Russia was impossible, were answered by M. Joffe in an article in the *Izvestia*, on February 13, 1927. He charged that many foreign companies operate in Russia with insufficient capital, that they are frequently poorly managed, and expect inordinate profits. The Concessions Council accordingly proposed that new concessions be granted according to fully determined specifications. He declared:

"Having carried out extensive work in preparing a full plan of possible concessions, it is now possible to communicate these plans to interested foreign capitalists and to attract foreign capital to the exploitation of certain concessions on fully elaborated and defined terms."

The Soviet Government has declared its need for capital, but has insisted that the

*Commercial Handbook of the U. S. S. R., p. 68.

Soviet system be recognized as permanent, and that no attempt be made to break down the government's monopoly of foreign trade. In return for this it offers concessions.

On the other hand, foreign capital has contended that it must remain aloof to the Russian proposals until a more complete

recognition of property rights in Russia and of Russia's foreign debts give evidence of a new situation where complete mutual confidence can be established. Whether a basis for agreement between the Soviet Government and foreign capital can be found at the Economic Conference is open to conjecture.

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